

## BROKER MANAGEMENT RATING REPORT

### Insight Securities (Pvt.) Limited

**REPORT DATE:**

28 September, 2021

**RATING ANALYSTS:**

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**APPLICABLE**

**METHODOLOGY:**

Broker Management Ratings 2020:

<https://docs.vis.com.pk/docs/BMR202007.pdf>

Rating Category	Latest Rating
<b>Broker Management Rating</b>	<b>BMR2</b>
<b>Rating Rationale</b>	The rating signifies strong compliance and risk management and sound external control, HR & infrastructure and financial management. Regulatory requirement & supervision, internal controls and client relationship are considered adequate.
<b>Rating Date</b>	28 September, 2021

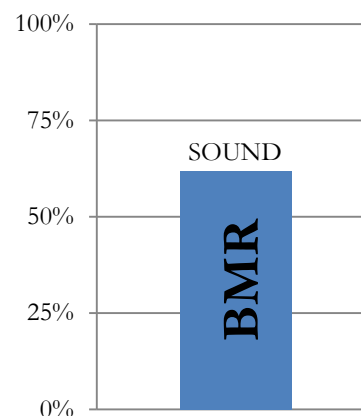
### COMPANY INFORMATION

<b>Incorporated in 2016</b>	<b>External auditors:</b> Grant Thornton Anjum Rehman Chartered Accountants
<b>Private Limited Company</b>	<b>Board Chairman:</b> Mr. Muhammad Amin
<b>Key Shareholders (with stake 5% or more):</b>	<b>CEO:</b> Mr. Zubair Ghulam Hussain
<i>Mr. Zubair Ghulam Hussain ~ 41.67%</i>	
<i>Mrs. Munira Ghulam Hussain ~ 58.33%</i>	

### Corporate Profile

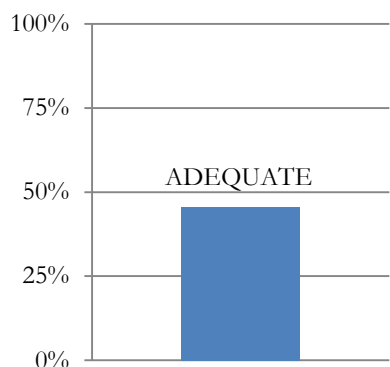
Insight Securities (Pvt.) Limited is a private limited company incorporated in 2016, providing equity brokerage services to institutional as well as individual clients, in both local and international markets. Major shareholding of the company is vested with two individuals including the CEO. The company operates from Karachi and provides both online and assisted trading services to its clients.

Insight Securities (Pvt.) Limited holds Trading Rights Entitlement Certificate (TREC) granted by Pakistan Stock Exchange Limited (PSX), and is registered with SECP to provide Trading & Self Clearing Services. External auditors of the company are Grant Thornton Anjum Rehman Chartered Accountants. External auditors belong to category 'A' on the approved list of auditors published by the State Bank of Pakistan (SBP).



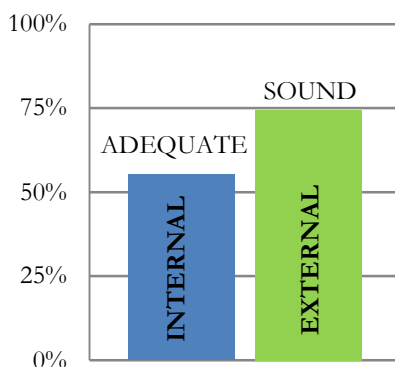
**Rating Factors Scores**

**Regulatory Requirements & Supervision**



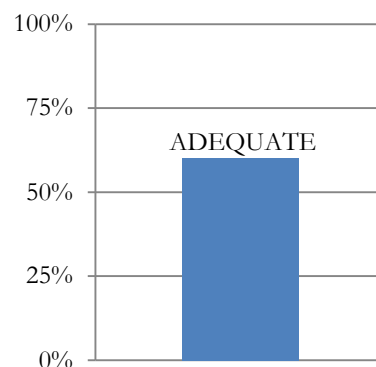
- Board of directors consists of three members, represented by sponsor directors. No independent representation on the board constrains the formation of independently headed Board level committees. Currently, only two board committees namely HR and Audit are functional.
- Revenue growth may be supported through acquisition of additional licenses in the future.

**Internal & External Control Framework**



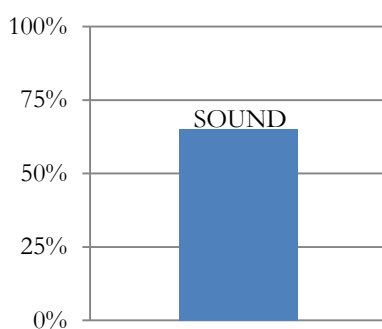
- Scope of internal policies may be enhanced to strengthen internal control framework.
- While company's code of conduct provides coverage of conflict of interest to some extent, a separate conflict of interest policy may be formulated.
- Similarly, coverage of Employee trading policy may be expanded to include best practices related to minimum holding period and trading by family members.
- External control framework may be strengthened by increasing disclosure levels through addition of CEO's statement with respect to compliance with code of conduct in financial statements.

**Client Relationship & Fairplay**



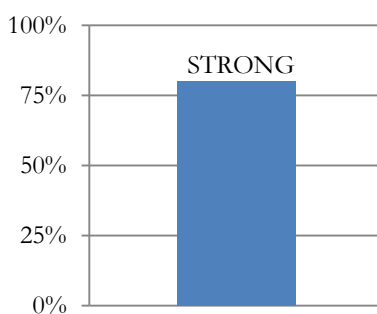
- Company offers online and mobile trading services to its customers along with SMS-based complaint and trade execution systems, however, for client facilitation complaint recording through web page may be pursued.
- Client communications including research reports are provided to customers. Client relationships may be pronounced through greater visibility and communications on website.
- Geographical diversification may provide sustainability and growth to the business.

**HR & Infrastructure**



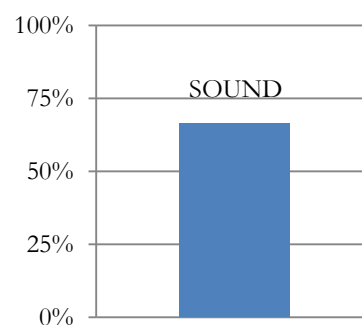
- Fully integrated ERP platform present.
- Disaster recovery exercises are performed once a year. Contingency measures may be enhanced by keeping offsite data backups at a third party warehouse.
- Having an independent risk management function may be considered.
- Overall, HR and infrastructure is considered sound.

**Compliance & Risk Management**



- Strong risk management framework exists with a well laid out risk policy.
- Audit function is outsourced to third party which is viewed favorably. Internal audit scope is considered comprehensive.
- Segregating risk management function from compliance may further improve overall risk management framework. It will also enhance credit worthiness evaluation of customers and streamlining of credit limits accordingly.
- Overall, compliance and risk management is considered strong.

**Financial Management**



- In line with increased market activity, profitability of the company increased to Rs. 182m from R 102m in FY20 on account of higher brokerag income as well as higher capital gains.
- Liquidity profile of the company is strong wit liquid assets providing 2x coverage to totl liabilities.
- Capitalization indicators are considered soum given zero gearing and leverage at 0.68x.
- Market risk exposure is higher noting propriert investments of Rs. 389m relative to equity of R 463m as at June 30, 2021.
- Cost to income ratio is considered sound however maintenance of the same along with augmentatio: in revenue streams will be important for rating going forward.

## MANAGEMENT QUALITY SCALE &amp; DEFINITIONS

## Appendix I

## VIS Credit Rating Company Limited

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### RATING SCALE & DEFINITIONS: [BROKER MANAGEMENT RATING](#)

#### **BMR1A**

Excellent regulatory compliance, control environment, and financial management; governance and risk management frameworks are extremely effective; HR, IT, and customer services are strongly proactive.

#### **BMR1++, BMR1+, BMR1**

Strong regulatory compliance, control environment, and financial management; governance and risk management frameworks are highly effective; HR, IT, and customer services are highly proactive.

#### **BMR2++, BMR2+, BMR2**

Sound regulatory compliance, control environment, and financial management; governance and risk management frameworks are effective; HR, IT, and customer services are proactive.

#### **BMR3++, BMR3+, BMR3**

Adequate regulatory compliance, control environment, and financial management; governance and risk management frameworks are satisfactory; HR, IT, and customer services are adequate.

#### **BMR4++, BMR4+, BMR4**

Inadequate regulatory compliance, control environment, and financial management; governance and risk management frameworks need improvements; HR, IT, and customer services are insufficient.

#### **BMR5**

Weak regulatory compliance and business practices

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#### **Rating Outlooks:**

The three outlooks 'Positive', 'Stable' and 'Negative' qualify the potential direction of the assigned rating(s). An outlook is not necessarily a precursor of a rating change. Refer to our 'Criteria for Rating Outlook' for details. [www.vis.com.pk/images/criteria\\_outlook.pdf](http://www.vis.com.pk/images/criteria_outlook.pdf)

<b>REGULATORY DISCLOSURES</b>		<b>Appendix II</b>		
<b>Name of Rated Entity</b>	Insight Securities (Pvt.) Limited			
<b>Sector</b>	Brokerage			
<b>Type of Relationship</b>	Solicited			
<b>Purpose of Rating</b>	Broker Management Rating (BMR)			
<b>Rating History</b>	<b>Rating Date</b>	<b>Rating</b>	<b>Rating Outlook</b>	<b>Rating Action</b>
	<b>RATING TYPE: BMR</b>			
	28/ 09/ 2021	BMR2	Stable	Initial
<b>Instrument Structure</b>	N/A			
<b>Statement by the Rating Team</b>	VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities.			
<b>Probability of Default</b>	VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default.			
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